

16<sup>th</sup> December, 1996

### NRIs DESERT INDIAN PRIMARY MARKET

Non-Resident Indians, who were being increasingly wooed as they were the cash-rich investors, have now realised the misdeeds of the Indian promoters and the vagaries of the domestic capital market. Little wonder, according to Mr.Prithvi Haldea of **PRIME**, the country's leading data base on the primary capital market, they have deserted the Indian primary capital market lock, stock and barrel.

According to **PRIME**, in the first 9 months of the current financial year, not even 1 issue out of 384 offered to the NRIs has been able to obtain full subscription. Earlier, in 1995-96 of the 701 NRI issues, as many as 671 (or 96 per cent) had failed in their effort. In 1994-95, the picture had been slightly better with 29 per cent of the issues getting their NRI portions fully subscribed.

	No.of Issues Offered to NRIs on Preferential Basis	No.of Issues Subscribed	%
1991-92	32	25	78
1992-93	125	73	58
1993-94	406	109	27
1994-95	410	120	29
1995-96	701	30	4
1996-97 (Apr-Dec)	384	0	0

As a portion of the public issue amount is allowed to be reserved on a competitive basis for the NRIs/ OCBs etc., most companies provided for this reservation. The number of such companies grew from 32 in 1991-92 to 701 in 1995-96 and has been at a high 384 in the first 9 months of the current year. Also, as per **PRIME**, the amount reserved for them increased from Rs.72 crore in 1991-92 to Rs.1085 crore in 1995-96 and Rs.541 crore in the first 9 months of the current year.

Year	Total No. of Public Issues	No.of Issues Offered to NRIs/OCBs on Preferential Basis	%
1991-92	196	32	16
1992-93	528	125	24
1993-94	770	406	53
1994-95	1343	410	31
1995-96	1428	701	49
1996-97(Apr-Dec)	681	384	56

According to Mr.Haldea, just providing for reservation is only hoping that some NRIs would still respond because if there is no reservation, the NRIs even if interested can not apply. Moreover, the issuers know that the Indian public is not responding and the hope is that some NRIs may apply. However, reservations have not helped as the pathetic response from the NRIs shows.

In 1995-96, only 2 out of 701 issues could even cross the over 3 time subscription mark : Rahul Merchandising (29.8 times) and Pratiksha Chemicals (9.6) while in the first 9 months of 1996-97, not even 1 issue has been able to reach this mark.

In the heydays, NRIs had supported the Indian issues in a big way. According to **PRIME**, some of the heavily oversubscribed NRI portions of the issues in 1991-92 to 1994-95 period included Pentafour Solec (35.5 times), V.P.Polycon (20.9), Tatia Intimate Exports (13.8), Nahar Sugar (13.3), Namtech Electronic Devices (13.2), Pearl Global (11.6), Pentafour Software (11.2), BSES (10.8), ITC Classic Finance (10.7) and Southern Herbals (10.5).

The number of NRI investors had also swelled in the early 90s. Some of the issues which had attracted large number of NRI applications were Madras Refineries (52409 applications), Mangalore Refinery (43315), Nahar Sugar (28419), Mesco Pharmaceuticals (21846), Pentafour Products (18461), Indian Seamless Steels & Alloys (17488) and Chambal Fertilizers (15180).

In 1995-96, only 1 issue, that of IDBI could manage to even cross the 10000 mark with 10139 applications while in the first 9 months of 1996-97, the highest that any issue has been able to attract is only 683 applications (Dena Bank).

The aggregate number of NRI applications in a given year, according to **PRIME**, has also taken a severe beating. While a total of 4.59 lakh applications were received in 1992-93, it increased to 5.29 lakhs in 1993-94 but then fell down to 1.88 lakhs in 1994-95 and witnessed a steep fall in 1995-96 to only 19700.

There is also a provision allowing firm reservations for the NRIs. Even here, the amounts mobilised have registered a major fall. From only Rs.26 crore in 1991-92, the firm reservations rose to Rs.989 crore in 1994-95, then fell down to Rs.392 crore in 1995-96 and are at a low Rs.30 crore in the first 9 months of the current year.

Mr.Haldea feels that the chances of return of the NRIs to the Indian capital market are now remote. For one, their experience has been bitter not only on account of frauds and negative returns but also because of procedural matters. They also, unlike the resident investors, have global investment options. Improved secondary market, better quality of issues, proper regulatory framework and ease in operational matters have all to be in place before NRIs could even be interested again to look at the Indian capital market.